

What is claimed is:

- 1 1. A method of pricing a financial product, the method comprising:
2 receiving application data;
3 selecting a price for said financial product;
4 calculating, based at least in part on said application data, expected cash
5 flow data;
6 calculating, based at least in part on said expected cash flow data and
7 said price, a potential return on investment (ROI) for said application; and
8 approving said application with said price if said potential ROI is within a
9 target ROI.
- 1 2. The method of claim 1, wherein said application data includes at least one
2 of: applicant information, collateral information, and payment information.
- 1 3. The method of claim 1, further comprising:
2 repeating said selecting a price, calculating expected cash flow data, and
3 calculating a potential ROI if said potential ROI is not within said target ROI.
- 1 4. The method of claim 3, wherein said selecting a price further comprises
2 increasing said price by an increment.
- 1 5. The method of claim 3, wherein said price is an annual percentage rate
2 (APR) and wherein said increment is 0.25.
- 1 6. The method of claim 3, wherein said selecting a price further comprises
2 decreasing said price by an increment.
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- 1 7. The method of claim 1, wherein said price is an initial price, and wherein
2 said price is an annual percentage rate (APR), and said initial price is selected
3 below a current market APR.

1 8. The method of claim 1, further comprising calculating expected loss data,
2 wherein said calculating comprises:
3 executing an account level loss forecast model;
4 executing a termination event model; and
5 calculating an expected loss in response to the execution of the account
6 level loss forecast model and the execution of the termination event model.

1 9. The method of claim 8, wherein said executing an account level loss
2 forecast model further comprises:
3 calculating a future value for an item of collateral associated with said
4 application.

1 10. The method of claim 8, wherein said calculating expected loss data further
2 comprises:
3 executing a risk model to compute a credit risk; and
4 generating probabilities of one or more termination events occurring
5 before expiration of said financial product to form one or more termination
6 scenarios.

1 11. The method of claim 10, wherein said calculating a potential ROI further
2 comprises:
3 forecasting, based at least on said price, the severity of loss of said
4 termination scenarios to form one or more loss scenarios;
5 calculating net income and annualized net investment for said loss
6 scenarios; and
7 determining a potential ROI based on a ratio comprising said net income and
8 said annualized net investment.

1 12. The method of claim 10, wherein said generating probabilities further
2 comprises:
3 generating probabilities of said termination events occurring in relation to a
4 plurality of payment times.

1 13. The method of claim 11, wherein said forecasting the severity of loss
2 further comprises:
3 forecasting the severity of loss of said termination scenarios for at least a
4 plurality of payment times.

1 14. The method of claim 10, wherein said financial product requires an item of
2 collateral and wherein said forecasting comprises:
3 forecasting a current balance on book; forecasting a market value of said
4 collateral; and
5 calculating a difference between said current balance on book and said
6 market value of said collateral.

1 15. The method of claim 14, wherein said forecasting a market value is
2 performed using at least one of: Winter's multiplicative time series estimation; or
3 an exponential decay between a manufacturer suggested retail price of said
4 collateral and a residual value of said collateral at the expiration.

1 16. The method of claim 10, wherein said financial product is a lease.

1 17. The method of claim 16, wherein said termination events comprise at least
2 one of: repossession with delinquencies, early payoff, insurance loss, and
3 repossession without delinquencies.

1 18. The method of claim 10, wherein said financial product is a loan.
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1 19. The method of claim 18, wherein said termination events comprise at least
2 one of: repossession, non-collateralized loss and early payoff.

1 20. A computer-readable medium bearing a computer program containing
2 instruction steps such that upon installation of said computer program in a

3 general purpose computer, the computer is capable of performing the method of
4 claim 1.

1 21. A method of pricing a financial product, the method comprising:
2 receiving application data;
3 selecting an initial price for said financial product;
4 calculating, based at least in part on said application data, expected loss
5 data;
6 calculating, based at least in part on said expected loss data and said
7 initial price, a potential return on investment (ROI) for said application;
8 selecting a revised price for said financial product if said potential ROI
9 based on said initial price is outside a target ROI;
10 calculating, based at least in part on said expected loss data and said
11 revised price, a revised potential ROI for said application; and
12 approving said application if said revised potential ROI for said application
13 is within a target ROI.

1 22. An apparatus for pricing a financial product, the apparatus comprising:
2 a processor;
3 a communication device, coupled to said processor, receiving application
4 data from at least a first user device; and
5 a storage device in communication with said processor and storing
6 instructions adapted to be executed by said processor to:
7 select a price for said financial product; calculate, based at least in
8 part on said application data, expected loss data;
9 calculate, based at least in part on said expected loss data and said
10 price, a potential return on investment (ROI) for said application; and
11 approve said application with said price if said potential ROI is
12 within a target ROI.

1 23. The apparatus of claim 22, wherein said storage device further storing
2 instructions adapted to be executed by said processor to:

3 select an updated price for said financial product if said potential ROI is
4 not within a target ROI based on said initial price;
5 calculate an updated potential ROI for said application; and
6 approve said application with said updated price if said updated potential
7 ROI is within said target ROI.

1 24. A system for pricing a financial product, comprising:
2 at least a first user device having a processor;
3 a communication device, coupled to said processor, configured to send
4 and receive data over a network; and
5 a storage device in communication with said processor and storing
6 instructions adapted to be executed by said processor to
7 receive application data; and
8 forward said application data to an at least first lender device said
9 at least first lender device having
10 a second processor,
11 a second communication device, coupled to said second
12 processor, configured to send and receive data over said network
13 and to receive said application data;
14 and
15 a second storage device in communication with said second
16 processor and storing instructions adapted to be executed by said second
17 processor to
18 select a price for said financial product;
19 calculate, based at least in part on said application
20 data, expected loss data;
21 calculate, based at least in part on said expected loss
22 data and said price, a potential return on investment (ROI)
23 for said application; and
24 approve said application with said price if said
25 potential ROI is within a target ROI.

1 25. The system of claim 24, wherein said second storage device further
2 storing instructions adapted to be executed by said second processor to forward
3 application approval data to said at least first device.

1 26. A computer program product in a computer readable medium for pricing a
2 financial product, comprising:

3 first instructions for receiving application data;

4 second instructions for selecting an initial price for said financial product;

5 third instructions for calculating, based at least in part on said application
6 data, expected loss data;

7 fourth instructions for calculating, based at least in part on said expected
8 loss data and said initial price, a potential return on investment (ROI) for said
9 application;

10 fifth instructions for selecting a revised price for said financial product if
11 said potential ROI based on said initial price is outside a target ROI;

12 sixth instructions for calculating, based at least in part on said expected
13 loss data and said revised price, a revised potential ROI for said application; and
14 seventh instructions for approving said application if said revised potential ROI
15 for said application is within a target ROI.

1 27. A device for pricing a financial product, the device comprising:

2 means for receiving application data;

3 means for selecting a price for said financial product;

4 means for calculating, based at least in part on said application data,
5 expected loss data;

6 means for calculating, based at least in part on said expected loss data
7 and said price, a potential return on investment (ROI) for said application; and
8 means for approving said application with said price if said potential ROI is within
9 a target ROI.
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